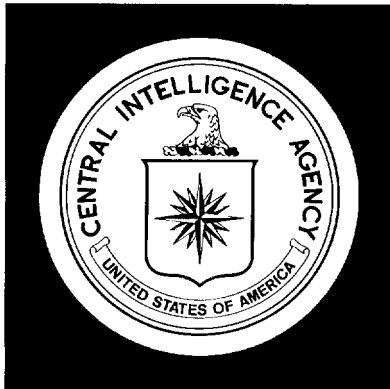


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

Nº 041

15 July 1972

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Approved For Release 2003/06/25 : CIA-RDP79T00975A022300080001-5

Approved For Release 2003/06/25 : CIA-RDP79T00975A022300080001-5

SECRET

No. 0169/72
15 July 1972

Central Intelligence Bulletin

CONTENTS

VIETNAM: Situation report. (Page 1)

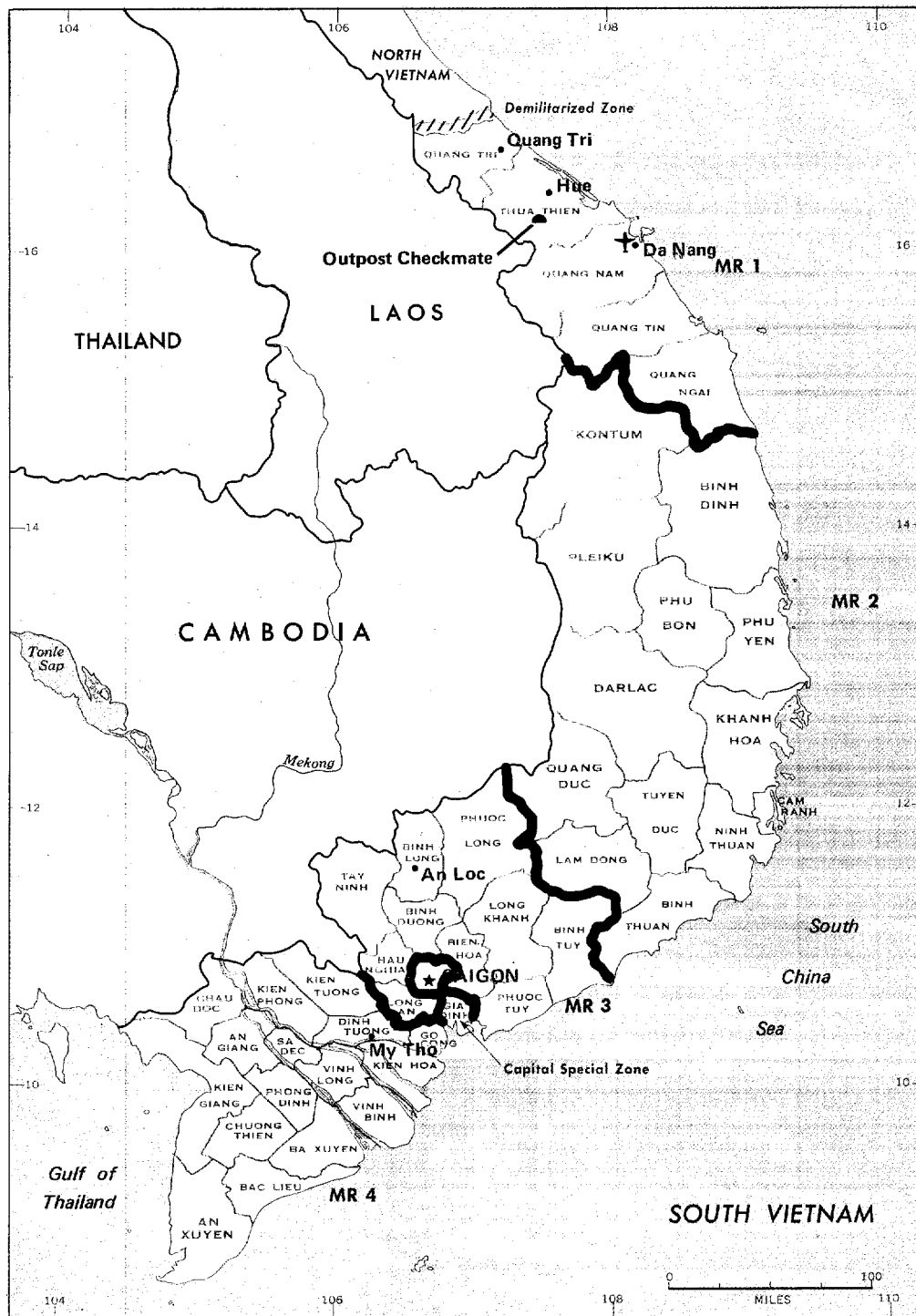
CHINA: Mao's ideological role being modified.
(Page 3)

IAEA-EURATOM: Seventh round of negotiations has
serious problems. (Page 5)

ETHIOPIA: Military rule relaxed in Eritrea (Page 6)

CENTRAL AMERICA: Common Market (Page 6)

SECRET



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SECRET

SECRET

VIETNAM: Military action remains fairly heavy around Quang Tri City and Hue and is picking up near Da Nang.

The enemy is offering stiff resistance to the South Vietnamese Marines pushing toward Quang Tri City, while airborne units have reportedly been engaged in street fighting on the southern edge of town. Near Hue, attacking enemy forces have forced the government to abandon Outpost Checkmate for the third time in two weeks. Farther south, government positions in five different districts around Da Nang were shelled. There are indications from a variety of sources that the Communists are trying to organize for more substantial attacks in Quang Nam Province, partly to divert the government from operations around Quang Tri and Hue.

In the delta, enemy forces are continuing to harass government positions in Dinh Tuong Province, shelling My Tho City and blowing up an ammunition dump a mile away. The South Vietnamese also initiated several sharp fights in Dinh Tuong, Kien Phong, and Bac Lieu provinces. South Vietnamese forces in the southern extremities of the delta are being augmented by the return to An Xuyen Province of one regiment that has been deployed near An Loc for the last two months.

* * * *

There was a definite shift in emphasis in the Communist line at the Paris peace talks session on 13 July and at their post-meeting press conferences. The Communists attempted to create the impression that they do not demand that the US become involved in settling the political future of South Vietnam, and that they will discuss this issue directly with the South Vietnamese following the withdrawal of US forces and the termination of US "political and military" support for the Saigon government. The shift

15 Jul 72

Central Intelligence Bulletin

1

SECRET

SECRET

does not constitute a real concession on the Communists' part but seems designed essentially for cosmetic purposes to outflank the insistence of the US that it cannot negotiate the political future of South Vietnam because this would infringe on the rights of the South Vietnamese people.

The Communists have generally maintained in the past that the US must formally agree in principle if not in detail to the imposition of a coalition government. At the 13 July session they talked about the need for a "parallel settlement" of all political and military questions in the war before a cease-fire could take place. However, it has long been evident that they would undertake to establish such a coalition themselves without any US involvement or formal agreement if the nature of the US military withdrawal and termination of support for the Thieu regime created conditions in which this Communist political objective could easily be fulfilled. In Hanoi's view, the Saigon government would not last long without US arms and political backing. Having now established its strategy more openly on this score at the 13 July meeting, it remains to be seen whether Hanoi may have some specific concessions to put forward, such as dropping the call for Thieu's resignation, in order to induce the US to accept its general position on ending the war.

* * * *

The Soviet official responsible for overseeing the USSR's foreign aid program, Deputy Premier Novikov, met with the North Vietnamese ambassador in Moscow on 13 July. It was the first publicly announced meeting between the two men since mid-May and may presage a new supplemental aid accord. The signing of the Chinese - North Vietnamese agreement on 29 June put the Soviets one agreement behind the Chinese. The Soviets also may have wanted to discuss with the Vietnamese some new approaches to the problem of Chinese transshipment of Soviet aid materiel.

15 Jul 72

Central Intelligence Bulletin

2

SECRET

SECRET

CHINA: The trend evident in China since 1970 to reduce the emphasis on Mao Tse-tung's ideological importance seems to have reached a new stage.

Chinese public media recently have increasingly urged party cadre to acquire a thorough knowledge of the "Marxist stand, viewpoint, and method." Since the Cultural Revolution the focal point of political study in China has usually been expressed in terms of the "thought of Mao Tse-tung" or, alternatively, "Marxism - Leninism - Mao Tse-tung thought." While references to these formulations continue to appear, it is clear from the open media that the need to grasp Marxist theory has become the principal theme at cadre study sessions.

This changing emphasis is undoubtedly related in part to the continuing campaign against Mao's former heir, Defense Minister Lin Piao, who was removed from power last autumn. During his period of political ascendancy, Lin pushed the personal cult of Mao and sought to popularize the study of Mao's thought through the wide dissemination--notably in the little red books--of selected quotes from Mao's written works and speeches. For several months now, Peking has severely denounced this practice, asserting that cadre should not attempt to take "shortcuts" by learning "individual phrases, sentences, and conclusions." Mao's major works continue to be extolled, but the little red book has been conspicuously absent from public use.

The current emphasis on developing an understanding of general Marxist theory seems, however, to be more than just an effort to impugn Lin. By stressing the contribution of earlier Marxist theoreticians, the regime could well be preparing the ground for a China without Mao, a notion that was suggested by a People's Daily article broadcast on

15 Jul 72

Central Intelligence Bulletin

3

SECRET

SECRET

11 June. While clearly preserving Mao's historical position, and the current relevance of his writings, the article went to unusual lengths to explain that no leader is irreplaceable.

Whatever the motivation behind these developments, changes of this magnitude in the official treatment accorded Mao are likely to give rise to rampant speculation at the lower levels of society. Indeed, since the People's Daily article was published last month, it has been rumored in Canton that in a few months Mao will retire and relinquish all his party positions. There also were reports from Hong Kong that Mao was seriously ill--rumors that have since been laid to rest by Mao's reception of two foreign visitors.

25X1

15 Jul 72

Central Intelligence Bulletin

4

SECRET

SECRET

IAEA-EURATOM: Failure to produce an agreement on safeguards in talks between EURATOM and the IAEA could soon cause great difficulties.

The seventh round of negotiations on safeguards required by the Non-proliferation Treaty (NPT) begins next week. The procedures to ensure that non-nuclear-weapon states do not divert fissionable materials from peaceful uses were supposed to have come into effect last March. The negotiations on how the IAEA will enforce such procedures for EURATOM countries have been particularly difficult, however, because some of EURATOM's members have advanced non-military nuclear programs and because EURATOM has its own regional safeguards system.

The basic problem of the negotiations has been to define the relationship so that the IAEA would be satisfied that enforcement safeguards were adequate and EURATOM would not think that its own safeguards system was being superseded. A precise definition of the role of the IAEA inspectors is thus a crucial issue. The EURATOM negotiators recently have voiced the fear that the IAEA now wishes to give the inspectors the sole right to conduct unannounced inspections, contrary to its own earlier idea that the inspectors should be primarily observers.

Until an acceptable agreement is reached, the five EURATOM non-nuclear-weapon states will not ratify the NPT. Failure at this session would also delay Japanese consideration of the treaty. Tokyo has been watching the EURATOM negotiations closely and will insist that it will not accept safeguards more restrictive than those applied to EURATOM.

Finally, if agreement is not reached soon, the Soviets are likely to renew their criticism of the US for continuing to supply enriched uranium to EURATOM non-nuclear-weapon states without IAEA safeguards. The US decided last February to maintain shipments as long as EURATOM and IAEA were negotiating in good faith--an action the Soviets term a "clear violation" of the NPT.

Central Intelligence Bulletin

5

SECRET

25X1

25X1

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ETHIOPIA: The easing of military rule in part of Eritrea suggests that the province's insurgent movement has been crippled by recent internecine fighting and by government military efforts. During the past several months, the government has lifted some travel restrictions and removed some road check-points in northeastern Eritrea that had been in effect since December 1970. The governor-general of the province also reportedly has returned some parts of the province that had been under martial law to a limited form of civilian administration. The insurgents still can pull off hit-and-run raids and other terrorist activities. Nevertheless, the cautious Addis Ababa government probably would be reluctant to take these steps unless it believed that it could keep the insurgents off balance.

1
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CENTRAL AMERICA: The viability of the Central American Common Market (CACM) has been threatened by Costa Rica's rejection of a proposal by the other members aimed at easing the country's foreign payments difficulties. The measure called for Costa Rica to unify its dual foreign exchange rates by raising the official rate now applying to imports of raw materials and other "essential" goods from non-members and to all imports from other CACM countries. San Jose is insisting that it be permitted to continue to import raw materials and other "essential" goods at the official rate, while using the higher free market rate for other imports from member countries. This in effect would amount to imposing a discriminatory surcharge on imports from CACM that Costa Rica deems non-essential, a violation of the Market's basic charter. San Jose has threatened to adopt this practice unilaterally if the other members do not agree to it by 17 July, an action that would invite retaliation.

25X1

15 JUL 72

Central Intelligence Bulletin

6

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